

Virginia Department of Mines, Minerals and Energy
Virginia Gas and Oil Board

Minutes and results of hearing, January 18, 2005

Board members present: Mr. Garbis, Mr. Harris, Mr. McIntyre, Mr. Wampler

1. The Board received a year-end report on the board escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia Gas and Oil Board.

For calendar year 2004, deposits totaling \$2,230,414.77 and interests of \$1,874,967.37 were credited to the escrow account while disbursements of \$393,164.74 and contract fees of \$60,000.00 were subtracted from the account. Closing balance was \$10,031,133.91 and net change for the year was an increase of \$1,874,967.37. The latest reported interest rate was 1.75% in the third quarter.

2. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit A-30, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0118-1382.

In the A-30 80-acre unit, the operator controls 98.7% of the coal and gas interests, and seeks to pool the remaining 1.3% of the interests. Unleased acreage subject to pooling totals 1.1 net acres in one tract with four unleased owners. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 4/12/04 and a well has been drilled. Pooling was approved.

3. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AY-135, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-05-0118-1383.

In the AY-135 58.74-acre unit, the applicant controls 100% of the coal interests and 39.2% of the gas interests, and seeks to pool the remaining 60.8% of the gas interests. Unleased gas acreage subject to pooling totals 35.7 net acres in nine tracts with nine unleased owners. There are conflicting claimants subject to escrow, and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 7/28/04, and a well has been drilled and completed. Pooling was approved.

4. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BE-112, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1384.

In the BE-112 58.74-acre unit, the operator controls 97.1% of the coal and gas interests, and seeks to pool the remaining 2.9% of the interests. Unleased acreage subject to pooling totals 1.7 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/9/04 and a well has been drilled. Pooling was approved.

5. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BE-113, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1385.

In the BE-113 58.74-acre unit, the operator controls 95.8% of the coal and gas interests, and seeks to pool the remaining 4.2% of the interests. Unleased acreage subject to pooling totals 2.5 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04 and a well has been drilled. Pooling was approved.

6. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-112, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1386.

In the BF-112 58.74-acre unit, the operator controls 94.4% of the coal and gas interests, and seeks to pool the remaining 5.6% of the interests. Unleased acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04 and a well has been drilled. Pooling was approved.

7. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-113, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1387.

In the BF-113 58.74-acre unit, the operator controls 94.4% of the coal and gas interests, and seeks to pool the remaining 5.6% of the interests. Unleased acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04. Pooling was approved.

8. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-114, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1388.

In the BF-114 58.74-acre unit, the operator controls 94.9% of the coal and gas interests, and seeks to pool the remaining 5.1% of the interests. Unleased acreage subject to pooling totals 3.0 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04. Pooling was approved.

9. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BG-112, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1389.

In the BG-112 58.74-acre unit, the operator controls 94.4% of the coal and gas interests, and seeks to pool the remaining 5.6% of the interests. Unleased acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04.

10. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-112, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1390.

In the BH-112 58.74-acre unit, the operator controls 96.2% of the coal and gas interests, and seeks to pool the remaining 3.8% of the interests. Unleased acreage subject to pooling totals 2.2 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04. Pooling was approved.

11. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BI-112, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1391.

In the BI-112 58.74-acre unit, the operator controls 99.2% of the coal and gas interests, and seeks to pool the remaining 0.8% of the interests. Unleased acreage subject to pooling totals 0.8 net acres in two tracts with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/8/04. Pooling was approved.

12. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BI-117, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0118-1392.

In the BI-117 58.74-acre unit, the operator controls 95.1% of the coal and gas interests, and seeks to pool the remaining 4.9% of the interests. Unleased acreage subject to pooling totals 2.9 net acres in five tracts with four unleased owners. There are title conflicts causing owners to be subject to escrow. A permit to drill was issued on 11/8/04 and a well has been drilled. Pooling was approved.

13. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit K-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0118-1393.

In the K-34 80-acre unit, the operator controls 99.9% of the coal and gas interests, and seeks to pool the remaining 0.1% of the interests. Unleased acreage subject to pooling totals 0.05 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill was issued on 11/12/04. Pooling was approved.

14. The Virginia Gas and Oil Board considered a petition from Equitable Production Company for creation and pooling of conventional gas unit V-503211, Roberson District, Wise County, Virginia. Docket Number VGOB-05-0118-1394.

In the V-503211 112.69-acre conventional gas unit, the applicant controls 88.4% of the oil and gas interests, and seeks to pool the remaining 11.7% of the interests. Unleased acreage subject to pooling totals 13.1 net acres in four tracts having eight unleased owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

15. The Virginia Gas and Oil Board considered a petition from Equitable Production Company for pooling of coalbed methane unit VC-535631, Kenady District, Dickenson County, Virginia. Docket Number VGOB-05-0118-1395.

In the VC-535631 58.77-acre unit, the applicant controls 100% of the coal interests and 98.3% of the gas interests, and seeks to pool the remaining 1.7% of the gas interests. Unleased gas acreage subject to pooling totals 0.97 net acres in two tracts with two unleased owners. There are conflicting claimants and unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

16. The Virginia Gas and Oil Board considered a petition from Equitable Production Company for pooling of coalbed methane unit VC-502967, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-05-0118-1396.

The petition was withdrawn at the request of the applicant.

17. The Virginia Gas and Oil Board considered a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-147, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0118-1397.

In the AE-147 58.74-acre unit, the operator controls 94.6% of the coal and gas interests, and seeks to pool the remaining 5.4% of the interests. Unleased acreage subject to pooling totals 3.2 net acres in one tract with one unleased owner. There are no conflicting claimants or unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

18. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for modification of Oakwood I Field Rules to allow for drilling of two frac wells in each of the 100 units described as Y43 to Y49, Z43 to Z49, AA43 to AA49, BB43 to BB49, CC32 to CC49, DD32 to DD49, EE32 to EE49, and FF32 to FF49 Buchanan, Russell and Tazewell Counties, Virginia. Docket number VGOB 93-0216-0325-02.

The Oakwood Field Order currently allows one fraced coalbed methane well in each unit, and that well is to be drilled within the drilling window which is 300 feet inside the boundary of the unit. The applicant seeks to modify the order to allow for drilling of more than one frac well in each unit, with the second well allowed to be drilled outside the window and not subject to the current 600 feet minimum spacing from other wells. The applicant also seeks exception to § 45.1-361.20.F which states: *Unless otherwise provided for by the Board, after an application for a hearing to establish or modify drilling units or pool boundaries has been filed, no additional wells shall be permitted in the pool until the Board's order establishing or modifying the pool or units has been entered.* In March of 2003, the Board approved a similar request for drilling of multiple wells in each unit for 36 units immediately east of those subject to this proposal. The Field Rule modification was approved.

19. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit S-17, Hurricane District, Buchanan Co. Docket Number 98-0120-0617-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

20. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit T-17, South Grundy District, Buchanan Co. Docket Number 92-1117-0284-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

21. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit W-20, Garden District, Buchanan Co. Docket Number 92-0721-0240-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

22. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit S-15, Hurricane District, Buchanan Co. Docket Number 92-0721-0237-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

23. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit T-15, Hurricane District, Buchanan Co. Docket Number 92-0721-0236-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

24. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit T-16, Hurricane District, Buchanan Co. Docket Number 92-1117-0283-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

25. The Virginia Gas and Oil Board considered a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit U-19, Hurricane District, Buchanan Co. Docket Number 94-1024-0475-01.

This unit contains tracts that are subject to a recent Virginia Supreme Court decision determining ownership of coalbed methane gas.

The deadline for filing of petitions to the Board for the February hearing is 5 p.m., Thursday, January 13, 2005, with the hearing scheduled for 9 a.m. on Tuesday, February 15, 2005 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.